# GOVERNMENT OF INDIA
# FINANCE
# LOK SABHA

UNSTARRED QUESTION NO:3856
ANSWERED ON:24.03.2017
Asset Liability Mismatch in Banks
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**Will the Minister of FINANCE be pleased to state:**

(a) whether the 10 odd mid sized Public Sector Banks (PSBs) were running high asset liability mismatches which could potentially impact their ability to transmit any easing or compete aggressively on marginal cost lending rate; and

(b) if so, the details thereof and the corrective steps taken by the Government in this regard?

## Answer

The Minister of State in the Ministry of Finance

(a) & (b): Reserve Bank of India has informed that between April 2016 to March 2017 (up to March 20), it has reduced the policy repo rate by 50 bps. In response, the median overnight, 3-month and 1-year Marginal Cost of Funds based Lending Rate (MCLR) for public sector banks declined by 100 bps, 105 bps and 100 bps, respectively(up to March 20, 2017). Since October 2016, the median 1-year MCLR of public sector banks has declined by 85 bps, as compared to only a 15 bps decline in the preceding two quarters.

RBI has deregulated the interest rate on advances sanctioned by Scheduled Commercial Banks (excluding Regional Rural Banks) and these interest rates are determined by banks with the approval of their respective Board of Directors subject to regulatory guidelines on interest rate on advances issued by RBI from time to time. In terms of extant guidelines, which came into effect from April 1, 2016, banks have to compute actual interest rates on advances by adding the components of spread to the MCLR which will be the internal benchmark for such purpose.
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